DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 0 0 — 0 2

2. STATE: OKLAHOMA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
04-08-00

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
1905(a)(12)

7. FEDERAL BUDGET IMPACT:
a. FFY 2000 $ 890,358
b. FFY 2001 $ 3,561,437

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-B, Page 7
Attachment 4.19-B, Page 7a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Same page, Revised 07-01-93, TN#93-16
Same page, Revised 10-01-95, TN#95-19

10. SUBJECT OF AMENDMENT:

Revision and clarification of reimbursement methodologies for prescription drugs.

11. GOVERNOR'S REVIEW *(Check One)*:

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Michael Fogarty

14. TITLE:
Chief Executive Officer

15. DATE SUBMITTED:

16. RETURN TO:
Oklahoma Health Care Authority
Attn: Billie Wright
4545 N. Lincoln, Suite 124
Oklahoma City, OK 73105

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: June 30, 2000

18. DATE APPROVED: September 19, 2000

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
April 8, 2000

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: Calvin G. Cline

22. TITLE: Associate Regional Administrator
Division of Medicaid and State Operations

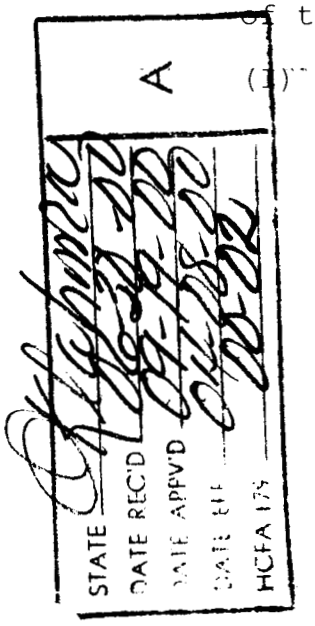
23. REMARKS:

Instructions on Back

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

6. Payment for prescribed drugs

Payment for compensable drugs is made on the basis of the lowest of the following:



(I) Maximum Allowable Cost (MAC), for state selected products plus a dispensing fee. The State Maximum Allowable Cost (SMAC) is established for certain products which have a Food and Drug Administration (FDA) approved generic equivalent. The products and SMAC price are established based upon the recommendation of the Drug Utilization Review (DUR) Board. The SMAC price is recommended by the DUR to the Agency CEO based on an average of two pricing formulas.

These formulas are as follows: (1) the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) MAC value and (2) the lower of Average Wholesale Price (AWP) minus 15% or Wholesale Acquisition Cost (WAC) plus 12%. The DUR Board computes formula number one (1) and computes the lower of formula number two (2). The formulas in number one (1) and number two (2) will then be averaged. This will comprise the SMAC price.

(II) Multiple source drugs. Multiple source drug means a drug marketed or sold by two or more manufacturers or labelers or a drug marketed or sold by the same manufacturer or labeler under two or more different proprietary names or both under a proprietary name and without such a name.

Brand Necessary Certification. Unless the prescribing provider certifies a brand name drug product is medically necessary for the well being of the patient, a generic must be substituted for the brand name product. The Brand Necessary Certification applies to the HCFA Upper Limit and State Maximum Allowable Cost (SMAC) products. The requirements for a brand name certification are as follows:

- The certification must be written in the physician's or other prescribing provider's handwriting.
- Certification must be written directly on the prescription blank or on a separate sheet which is attached to the original prescription.
- A standard phrase indicating the need for a specific brand is required. Recommend use of the phrase "Brand Necessary".

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

6. Payment for prescribed drugs (cont.)

- The printed box on the prescription blank that could be checked by the physician to indicate brand necessary is unacceptable.

- A hand-written statement that is transferred to a rubber stamp and then stamped onto the prescription is unacceptable.

Programming has been developed to review the HCFA upper limit products to assure in the aggregate Medicaid expenditures for multiple source drugs do not exceed the federal upper limits. Such reports and all other relevant statistical data are maintained by the Agency and are available on request.

(III) The Estimated Acquisition Cost (EAC). The EAC means the Agency's best estimate of the price generally and currently paid by providers for a drug marketed or sold by a particular manufacturer or labeler in the package size of drug most frequently purchased by providers. The EAC to be used for the purchase of prescription drug products is established at a percentage of the Average Wholesale Price (AWP) as defined by the Agency's pricing resource. The percentage discount off of the AWP minus is 10.5%.

(IV) The provider's usual and customary charges to the general public. The usual and customary charge will be a single price which includes both the product and the dispensing fee.

After public hearings which considered dispensing fee surveys, usual and customary charge surveys and appropriate inflationary indices, the Agency's Rates and Standards Committee has approved a maximum dispensing fee not to exceed $4.15.

Claims processed through the MMIS will assure the following:

- Eligibility of patient
- Eligible prescriber
- Eligible participating pharmacist
- Compensability of drug
- Cost within limits
- Limit of prescriptions per month